



Republican Policy Committee

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Congress Stays the Course: Balances Budget in 2002

The Senate and House Budget Committees today unveiled FY 1997 budget resolutions that keep to the deficit elimination course set last year: a balanced federal budget in 2002 and beyond. The priorities most important to Americans are retained: real welfare reform, real middle-class tax relief, assuring the solvency of Medicare for the next generation of retirees. And, the budget balances without the gimmicks employed by the President that allow the deficit to grow again in later years.

The contrast to President Clinton's FY 1997 budget could not be more clear. The Congressional Budget Office (CBO) said Clinton's budget leaves a deficit of more than \$80 billion in 2002. Not only does it fail to eliminate the deficit, it also fails to fundamentally reform welfare, fails to provide tax relief, and simply maintains Medicare's solvency one year beyond its projected bankruptcy date. And, this despite its use of one-time savings and accounting tricks and despite the fact that CBO was forced to score it with the assumption of the positive economic benefits of balancing the budget — even though it never does balance.

- ▶ Congress ***eliminates the deficit in 2002***. In comparison, Clinton's FY 1997 budget only cuts today's deficit by less than half over six years — from \$147 billion to \$84 billion.
 - ✓ CBO Director June O'Neill testified on April 17: "*Under CBO's more cautious economic and technical assumptions, the basic policies outlined in the President's budget would bring down the deficit to about \$80 billion by 2002 instead of producing the budget surplus that the Administration estimates.*" [Note, since that time, the White House has indicated they are making revisions to a provision that would have required agencies to cover the full "normal cost" of their workers' benefits. This new change will raise the deficit \$3 billion in 2002.]
- ▶ Congress ***ends welfare as we know it*** with real time limits and work requirements, saving \$53 billion in growth over six years.
 - ✓ Despite his unfulfilled promises, Clinton by 2000 would only have achieved savings of \$16 billion.

- ▶ Congress *provides real middle-class tax relief* of \$122 billion over six years.
 - ✓ Congress' tax cut is explicitly linked to providing a permanent \$500 tax credit for every child under 18 years old.
 - ✓ Congress' six-year tax relief is less than half the five-year \$250 billion Clinton tax increase of 1993 that even the President has since admitted was too much.
 - ✓ Surprise: In comparison to Congress' \$500 per child credit for children under 18, Clinton's proposal is only for children under 13, is only \$300 per child for three of its five years, and ends two years early. **Clinton's proposal is really for a temporary and paltry pre-teen tax credit.**
 - ✓ Despite the President's unfulfilled promise of a middle-class tax cut, Clinton's FY 1997 tax cut is virtually nonexistent: his net tax cut is only \$38 billion. But, when the gimmick of ending the tax cut two years early (12/31/00) is added, Clinton's tax cut shrinks to just \$6 billion. And, when \$6 billion in new fees are added in, the tax cut disappears altogether.
- ▶ Congress *protects Medicare* for the next decade. Clinton protects himself for November.
 - ✓ Congress does not cut Medicare. However, by responsibly restraining the uncontrolled growth that CBO projects will bankrupt the program in 2001, Congress puts \$123 billion back into the Hospital Insurance (HI or Part A) program.
 - ✓ In contrast, Clinton claims just \$72 billion in HI savings — \$20 billion in 2002, a year after its projected insolvency.
 - ✓ In the voluntary Supplemental Insurance program (SI or Part B), which is financed in part by seniors' premium payments, Congress matches the President's own proposed savings amount of \$44 billion.
 - ✓ Congress' proposal includes \$10 billion for a new graduate medical education program.
 - ✓ Congress' proposal restrains total Medicare spending by a net \$158 billion.
 - ✓ Under Congress' proposal, the Senate Budget Committee estimates that per beneficiary spending will grow from \$5,200 in 1996 to \$7,000 in 2002, or 35 percent.

✓ Under Congress' proposal, total Medicare spending would grow at over twice the inflation rate during the next six years — 6.1 percent annually on average and 43 percent over the entire period.

✓ Under Congress' proposal, the Senate Budget Committee estimates that Medicare spending over the next six years will be 61 percent greater than the previous six years — \$1,479 billion from 1997-2002 versus \$920 billion from 1991-1996.

► Congress relies on *keeping spending at the rate revenues come in* to balance the budget. Clinton relies on gimmicks to make it look like this has been accomplished. Nowhere is this deception more evident or insidious than in Medicare.

✓ Clinton seeks to claim an exaggerated security for Part A using a simple bookkeeping gimmick — the shift of \$55 billion in Home Health Care expenses from Part A. In doing so, he claims that he's addressed the Part A problems that are precipitating bankruptcy. In reality he has ignored them.

✓ Not only is this dishonest, it is dangerous. The President does not reform Part A, but simply reshuffles it.

✓ Worse yet, the President has taken away Home Health Care as a guaranteed benefit from America's seniors by removing it from Part A.

✓ Yet, at the same time, his Administration is delaying the release of its estimate of this program's financial security. Last year's report revealed a severe financial crisis in the program, widely anticipated only to have worsened in this year's.

The Difference is Clear: Balance or Not

The difference between the two budget proposals now before the American people is clear. Congress kept its commitment. The Congressional proposal balances the budget, reforms welfare, cuts taxes, and protects Medicare. And, it's accomplished honestly and without gimmicks. The Clinton budget, on the other hand, breaks his 1992-election-year commitments by failing to balance the budget, failing to reform welfare, failing to provide a meaningful tax cut, and failing to protect Medicare.

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